

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WEBSTER COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**

The Auditor of Public Accounts has completed the Webster County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$449,167 from the beginning of the year, resulting in a cash surplus of \$2,339,419 as of June 30, 2001.

#### **Debt Obligations:**

Lease principal obligations for the detention facility and sewer lines were \$2,321,424 as of June 30, 2001. Future principal and interest payments of \$2,429,908 are needed to meet those obligations.

#### **Report Comment:**

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$2,187,827 To Protect Deposits.

#### **Subsequent Event:**

The Webster County Public Properties Corporation entered into a new bond issue, Webster County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2002 on June 20, 2002 for the purpose of financing the cost of the acquisition, construction, and equipping of a judicial center. The issue amount of the bonds was \$2,835,000. The Corporation, the County and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 2002, wherein the AOC will lease from the Corporation the project and project site, at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable James R. Townsend, Webster County Judge/Executive

Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Webster County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Webster County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Webster County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Webster County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable James R. Townsend, Webster County Judge/Executive  
Members of the Webster County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2002 on our consideration of Webster County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Webster County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$2,187,827 To Protect Deposits.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 27, 2002



WEBSTER COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

James R. Townsend	County Judge/Executive
Tom Glover	Magistrate
Jimmy Mooney	Magistrate
Jerry Brown	Magistrate

**Other Elected Officials:**

Joel Rich	County Attorney
Dorris Crowley	Jailer
Becky Sharp	County Clerk
Connie Townsend	Circuit Court Clerk
Kenneth Storey	Sheriff
Jeff Kelley	Property Valuation Administrator
Larry Vanover	Coroner

**Appointed Personnel:**

Paula Guinn	County Treasurer
Janice Marks	Finance Officer
Randy Ware	Road Supervisor
John Nall	Dog Warden



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



WEBSTER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 948,931	
Road and Bridge Fund:		
Cash	374,891	
Jail Fund:		
Cash	3,698	
Local Government Economic Assistance Fund:		
Cash	713,289	
Health Insurance - Cash	<u>1,064</u>	\$ 2,041,873

Special Revenue Fund Type

Community Development Block Grant Fund:

Cash	\$ 13,606	
Notes Receivable (Note 4)	9,002	
Sanitation Fund:		
Cash	<u>15,056</u>	37,664

Capital Projects Fund Type

Sanitation Replacement Reserve Fund:	25,827
Cash	

Debt Service Fund Type

Sewer Debt Reserve Fund:	
Cash	244,121

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

Jail Fund:

Amounts to be Provided in Future Years for Jail Detention Facility		
Lease Principal Payments (Note 5)	\$	356,000

Special Revenue Fund Type

Sanitation Fund:

Amounts to be Provided in Future Years for Sewer Line		
Lease Principal Payments (Note 5)		<u>1,721,303</u>

Total Assets and Other Resources	\$	<u><u>4,426,788</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

Jail Fund:

Lease Principal Payments (Note 5)	\$	356,000
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Health Insurance Fund	<u>1,064</u>	\$	357,064
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Special Revenue Fund Type

Community Development Block Grant Fund:

Deferred Revenue (Note 4)	\$	9,002
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Sanitation Fund:

Lease Principal Payments (Note 5)	<u>1,965,424</u>		1,974,426
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The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

Special Revenue Fund Type

Community Development Block Grant Fund	\$	13,606	
Sanitation Fund		<u>15,056</u>	\$ 28,662

Capital Projects Fund Type

Sanitation Replacement Reserve Fund			25,827
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Unreserved:

General Fund Type

General Fund	\$	948,931	
Road and Bridge Fund		374,891	
Jail Fund		3,698	
Local Government Economic Assistance Fund		<u>713,289</u>	<u>2,040,809</u>
Total Liabilities and Fund Balances			<u>\$ 4,426,788</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WEBSTER COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	<u>General Fund Type</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,071,711	\$ 2,180,416	\$ 977,009	\$ 501,601
Transfers In	288,689			163,189
Kentucky Advance Revenue Program	1,780,700	1,659,900	120,800	
Total Cash Receipts	<u>\$ 8,141,100</u>	<u>\$ 3,840,316</u>	<u>\$ 1,097,809</u>	<u>\$ 664,790</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,418,491	\$ 1,659,088	\$ 1,064,637	\$ 669,836
Transfers Out	288,689	163,189		
Leases-				
Principal Paid	156,053			50,000
Kentucky Advance Revenue Program Repaid	1,780,700	1,659,900	120,800	
Total Cash Disbursements	<u>\$ 7,643,933</u>	<u>\$ 3,482,177</u>	<u>\$ 1,185,437</u>	<u>\$ 719,836</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 497,167	\$ 358,139	\$ (87,628)	\$ (55,046)
Cash Balance - July 1, 2000	1,842,252	590,792	462,519	58,744
Cash Balance - June 30, 2001	<u>\$ 2,339,419</u>	<u>\$ 948,931</u>	<u>\$ 374,891</u>	<u>\$ 3,698</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type		Special Revenue Fund Type			Capital Projects Fund Type
Local Government Economic Assistance Fund	Local Government Economic Development Fund	Community Development Block Grant Fund	Home Fund	Sanitation Fund	Sanitation Replacement Reserve Fund
\$ 1,102,410	\$ 940,215	\$ 5,618	\$ 192,556	\$ 159,687 69,500	\$ 797 6,000
<u>\$ 1,102,410</u>	<u>\$ 940,215</u>	<u>\$ 5,618</u>	<u>\$ 192,556</u>	<u>\$ 229,187</u>	<u>\$ 6,797</u>
\$ 760,119 50,000	\$ 940,215	\$ 13,365	\$ 192,556	\$ 118,675 6,000  106,053	\$
<u>\$ 810,119</u>	<u>\$ 940,215</u>	<u>\$ 13,365</u>	<u>\$ 192,556</u>	<u>\$ 230,728</u>	<u>\$ 0</u>
\$ 292,291 420,998	\$ 0	\$ (7,747) 21,353	\$ 0	\$ (1,541) 16,597	\$ 6,797 19,030
<u>\$ 713,289</u>	<u>\$ 0</u>	<u>\$ 13,606</u>	<u>\$ 0</u>	<u>\$ 15,056</u>	<u>\$ 25,827</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2001  
 (Continued)

	<u>Debt Service Fund Type</u>
<u>Cash Receipts</u>	<u>Sewer Debt Reserve Fund</u>
Schedule of Operating Revenue	\$ 11,402
Transfers In	50,000
Kentucky Advance Revenue Program	<u>          </u>
Total Cash Receipts	<u>\$ 61,402</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Transfers Out	69,500
Leases- Principal Paid	
Kentucky Advance Revenue Program Repaid	<u>          </u>
Total Cash Disbursements	<u>\$ 69,500</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (8,098)
Cash Balance - July 1, 2000	<u>252,219</u>
Cash Balance - June 30, 2001	<u><u>\$ 244,121</u></u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Webster County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Webster County Public Properties Corporation as part of the reporting entity.

Webster County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues; veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Webster County's financial statements.

Additional - Webster County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Webster County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Webster County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Webster County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Local Government Economic Development Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund, Home Fund and the Sanitation Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Sewer Debt Reserve Fund. Debt service is provided through annual transfers to the Special Revenue Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Sanitation Replacement Reserve Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the County utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Webster County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Webster County Public Properties Corporation Fund and the Sanitation Replacement Reserve Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the Special Revenue Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

WEBSTER COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$2,187,827 of public funds uninsured and unsecured. Also, on August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$1,286,606 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 3,320,819
FDIC Insured	373,852
Uncollateralized and uninsured	<u>2,187,827</u>
Total	<u><u>\$ 5,882,498</u></u>

Note 4. Receivable

The County loaned \$50,000 to Arnold Griffiee d/b/a A and G Vendors, Inc., on May 20, 1983, for the purpose of a business expansion. This loan has since been assumed by Ohio Valley Vending Services, Inc. Terms of the agreement stipulate a 20 year repayment schedule at 6 percent interest. Ohio Valley Vending Services, Inc., is in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$9,002.



WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt

A. Liabilities of the Jail Fund are:

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on October 1, 1997, for the funding for a restricted custody detention facility in the amount of \$500,000. The interest rate is 4.68%. Payments of principal and interest are as follows:

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2002	\$ 18,954	\$ 53,000
June 30, 2003	15,898	55,000
June 30, 2004	12,705	58,000
June 30, 2005	9,342	61,000
June 30, 2006	5,832	63,000
June 30, 2007	2,185	66,000
Totals	<u>\$ 64,916</u>	<u>\$ 356,000</u>

B. Liabilities of the Sanitation Fund are:

The County entered into a lease agreement with the Kentucky Infrastructure Authority (KIA) to fund the construction of new sewer lines. The principal amount was \$2,378,237. The interest rate was 1.7 percent with a repayment period of 20 years. Amortization dates are June 1 and December 1. Required payments of principal and interest are as follows:

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2002	\$ 32,956	\$ 107,864
June 30, 2003	31,114	109,705
June 30, 2004	29,241	111,578
June 30, 2005	27,336	113,483
June 30, 2006	25,399	115,421
June 30, 2007 - June 30, 2011	96,756	607,342
June 30, 2012 - June 30, 2016	43,112	660,987
June 30, 2017	1,775	139,044
Totals	<u>\$ 287,689</u>	<u>\$ 1,965,424</u>

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Commitments and Contingencies

A. Industrial Revenue Bonds

The Webster County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Webster County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

B. Solid Waste Interlocal Agreement

Webster County entered into an interlocal agreement with Union and Henderson Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. The county is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 2001, were \$12,200.

C. Tri-County Interlocal Agreement for a New Water and Wastewater Treatment Facility.

The County of Webster entered in an interlocal agreement with the Counties of Henderson, Webster, and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local government agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The county had no expenses related to this agreement for fiscal year ended 2001.

Note 7. Subsequent Events

The Webster County Public Properties Corporation entered into a new bond issue, Webster County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2002 on June 20, 2002 for the purpose of financing the cost of the acquisition, construction, and equipping of a judicial center. The issue amount of the bonds was \$2,835,000. The Corporation, the County and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 2002, wherein the AOC shall lease from the Corporation the project and project site, at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the Jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. 441.135(2) requires the Jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 8. Jail Canteen Fund (Continued)

The Webster County Jail Canteen Fund had income of \$66,659, less cost of goods sold of \$52,568, less other expenses of \$13,598, leaving net income at \$493 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



WEBSTER COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,177,289	\$ 2,180,416	\$ (1,996,873)
Road and Bridge Fund	904,184	977,009	72,825
Jail Fund	737,301	501,601	(235,700)
Local Government Economic Assistance Fund	1,496,146	1,102,410	(393,736)
Local Government Economic Development Fund	2,500,000	940,215	(1,559,785)
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	5,031	5,618	587
Home Fund	400,000	192,556	(207,444)
Sanitation Fund	252,087	159,687	(92,400)
Totals	<u>\$ 10,472,038</u>	<u>\$ 6,059,512</u>	<u>\$ (4,412,526)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,472,038
Add: Budgeted Prior Year Surplus			407,160
Less: Borrowed Money			(1,780,700)
Less: Other Financing Uses			<u>(156,053)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 8,942,445</u>

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SCHEDULE OF OPERATING REVENUE



WEBSTER COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	1,108,636	\$ 1,108,636	\$	\$	\$
In Lieu Tax Payments	33,680	33,680			
Licenses and Permits	16,400	16,400			
Intergovernmental Revenues	4,173,653	3,981,097	192,556		
Charges for Services	187,129	29,011	158,118		
Miscellaneous Revenues	378,388	373,567	4,821		
Interest Earned	173,825	159,260	2,366	797	11,402
Total Operating Revenue	<u>\$ 6,071,711</u>	<u>\$ 5,701,651</u>	<u>\$ 357,861</u>	<u>\$ 797</u>	<u>\$ 11,402</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



WEBSTER COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 4,518,675	\$ 1,920,210	\$ 2,598,465
Protection to Persons and Property	1,254,857	1,150,946	103,911
General Health and Sanitation	862,327	271,287	591,040
Social Services	120,370	100,018	20,352
Recreation and Culture	42,000	4,699	37,301
Roads	1,076,679	1,180,422	(103,743)
Airports	2,500	1,700	800
Debt Service	33,913	19,119	14,794
Administration	468,140	445,495	22,645
Total Operating Budget - General Fund Type	\$ 8,379,461	\$ 5,093,896	\$ 3,285,565
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	1,780,700	1,780,700	
Lease Agreement-			
Principal on Detention Center	50,000	50,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 10,210,161</u>	<u>\$ 6,924,596</u>	<u>\$ 3,285,565</u>

WEBSTER COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2001  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 15,800	\$ 12,579	\$ 3,221
General Health and Sanitation	102,850	75,095	27,755
Social Services	400,000	192,556	207,444
Debt Service	38,857	38,857	
Administration	5,477	5,508	(31)
Total Operating Budget - Special Revenue Fund Type	\$ 562,984	\$ 324,595	\$ 238,389
Other Financing Uses:			
Lease Agreement- Principal on Sewer Lines	106,053	106,053	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 669,037	\$ 430,648	\$ 238,389



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable James R. Townsend, Webster County Judge/Executive

Members of the Webster County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Webster County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$2,187,827 To Protect Deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 27, 2002

COMMENT AND RECOMMENDATION



WEBSTER COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2001

NONCOMPLIANCE

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On June 30, 2001 and August 31, 2000, the County's deposits of public funds in depository institutions in the amount of \$2,187,827 and \$1,286,606 respectively were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive James R. Townsend's Response:*

*Bank was contacted on this date (8/27/02) to raise limit to 2.5 million to cover public funds. The Bank was contacted last year to do this however with daily fluctuations in the market, this should have already been done.*

PRIOR YEAR FINDINGS

The prior year finding, "The County should have required the depository institute to pledge or provide additional collateral of \$1,076,849" was not corrected and is discussed above.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

WEBSTER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001



CERTIFICATION OF COMPLIANCE

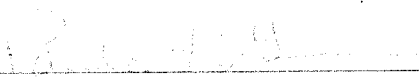
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

WEBSTER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Webster County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer